



Contracts to Electronic Payments

Welcome

January 24, 2001

Office of the Comptroller



Contracts to Electronic Payments

Welcome

Martin J. Benison, Comptroller

Guest Speaker

Lawrence Pirri, Federal Reserve Bank

New Standard Contract Form & Instructions for FY2002

Jenny Hedderman, Deputy General Counsel

EFT Campaign Kick Off

Elizabeth A. Kilcoyne, Deputy Comptroller

Fixed Assets - Domenic Tringale Director of Capital Accounting

Days to Pay - FY20001 2nd Quarter Statistics

Kathy Sheppard, Director of Payees, Payments and Tax Reporting Bureau

Internal Controls for Contracting and Payments

Mary Maloney, Director of Department Assistance Bureau



Federal Reserve Bank Reaching 100% EFT!

- ☞ Background of the Federal Reserve
- ☞ 2,000 vendors....
- ☞ letter campaign...
- ☞ phone call follow -up...
- ☞ finding the decision maker at the company
- ☞ remittance obstacle (WinFax solution)
- ☞ then the clean-up...mandatory enrollment



Contracting Process

- Quality Assurance
- Risk Management
- Department Success



HIGHLIGHTS

New Standard Contract Form and Instructions

❧ The *New Standard Contract Form and Instructions* is required for all FY2002 contracts.

❧ The **Standard Contract Amendment Form** has not changed.



HIGHLIGHTS

New Standard Contract Form and Instructions

WHAT MAKES UP A CONTRACT?

- (a) The Standard Contract Form and Instructions
- (b) The applicable Commonwealth Terms and Conditions (on file at CTR)
- (c) a Request for Response (RFR), other procurement solicitation document, or non-procurement supporting documentation
- (d) the Contractor's response to the RFR or other solicitation, or scope of services and budget for non-procured Contracts, and any other negotiated terms and conditions and attachments.



HIGHLIGHTS

New Standard Contract Form and Instructions

➤ Updated format. Several new pieces of information have been added:

- E-Mail Addresses
- Payment Method (Will Contractor be paid using Electronic Funds Transfer-EFT?)
- RFR Reference Number (if applicable)



HIGHLIGHTS

New Standard Contract Form and Instructions

☞ Certification language formerly at the bottom of the current form, now appears at the top of the *New Standard Contract Form and Instructions*:

- Certifications and legal citations are referenced as part of the Instructions
- Contractor responsible for information contained in Instructions



HIGHLIGHTS

New Standard Contract Form and Instructions

☛ Underlined language indicates a "hyperlink":

- Hyperlinks connect the user to either an Internet site containing the document cited, or to another location within the document;
- Pressing the "Alt" and "F9" keys while in the Microsoft® WORD version of the document will display full text of hyperlinks;
- Hyperlinks to legal citations, statutes, regulations etc. are to unofficial versions and not all legal citations have been cited;
- Hyperlinks may be added or changed without notice, so *New Standard Contract Form and Instructions* must be checked for updates.



HIGHLIGHTS

New Standard Contract Form and Instructions

☞ All Department staff using the *New Standard Contract Form and Instructions* MUST have access to the Internet to access policies and other procedures.



HIGHLIGHTS

New Standard Contract Form and Instructions

• Department staff are responsible for all information contained in the *New Standard Contract Form and Instructions* (with the exception of Contractor Certification and Legal References) including **Helpful Information for Departments** section.



HIGHLIGHTS

New Standard Contract Form and Instructions

☛ Departments are NOT responsible for providing Bidders/Contractors with a paper copy of the Standard Contract Form Instructions.



HIGHLIGHTS

New Standard Contract Form and Instructions

🌿 *Standard Contract Form Instructions* are incorporated by reference into the *Standard Contract Form*, and DO NOT have to be filed with a Contract or retained as part of a procurement file.



HIGHLIGHTS

New Standard Contract Form and Instructions

☛ *New Standard Contract Form and Instructions*

Training Dates:

- Monday February 5, 2001 (9:00 – 11:00 a.m.)
- Tuesday February 6, 2001 (9:00 – 11:00 a.m.)
- Friday February 9, 2001 (9:00 – 11:00 a.m.)
- Thursday March 1, 2001 (9:00 – 11:00 a.m.)

☛ **Seating is limited, so participants must pre-register** by contacting Deborah Marcotti (OSC) at deborah.marcotti@osc.state.ma.us or at (617) 973-2303.



EFT Campaign Kick-off

- Federal Reserve Bank - 100%
 - Commonwealth of Massachusetts
- EFT Campaign 2001



Current Statistics

Commonwealth has

- 125,000 Active Vendors
- 14,000 are on EFT

Commonwealth makes

- 2,600,000 Payments per Year
- 200,000 EFT



Savings to the Commonwealth

Check Costs

•Bank Fee/Treasury Admin:	\$.17
•Postage:	<u>\$.33</u>
	\$.50

EFT Costs

•Bank Fee/Treasury Admin:	<u>\$.05</u>
•Savings:	\$.45



EFT Campaign 2001

- Comptroller Role
- Department Role



EFT Campaign 2001

Active Vendor Population	125,000
Vendors already on EFT	- 14,000
Vendors Receiving >25 payments per year	<u>-11,000</u>
	100,000

**100,000 Vendors Remain for Department EFT
Campaign**



EFT Campaign 2001

- ☞ Comptroller Targeting Vendors with 25 or more checks per year
- ☞ 11,000 Vendors is a good target audience because
 - Small enough volume for Centralized outreach efforts to be affordable and successful
 - Large volume of payments to be impacted by EFT



What Comptroller has done so far

- EFT Reminders on Remittance Advice with Checks
- Remittance Information on [VendorWeb](#)
- EFT Form is now Automated
- EFT FAQ is now Online
- Created an Advisory Board to strategize



EFT Advisory Board

- Federal Reserve Bank
- Fleet, Sovereign, Citizen and other regional banks
- NEACH
- TMANE
- Treasurer
- Division of Operational Services
- Mass Rehabilitation Commission
- CPC
- DMA
- DSS
- Comptroller



What Comptroller will do

- Mailings to Target Vendor Population
- Speak at Professional Organizations
- Attend Vendor Conferences
- Participate in Direct Deposit/Direct Payment Week May 14th--May 18th
- Work on the Statewide Contract Vendors
- Sponsor an EFT Department Contest
- Cheer the Departments forward



EFT Department Contest

What is our Goal?

To double the number of Vendors currently using EFT

- ☞ 100,000 Vendors to Choose From
- ☞ 7 Months in which to get them onto EFT



What You Can do

- 🍀 Start the Education Process
- 🍀 Work on your vendors during Contracting process
- 🍀 Send Letters



What You will Receive

☞ EFT Kit from Comptroller in February

- Educational Materials
- Sample Letters
- Pamphlets
- List of Vendors Paid Last Year

☞ On-going Support from Comptroller

☞ Regular email updates of EFT Standing

☞ Published Results on MASSfinance



EFT Department Contest

- Competition Deadline—August 31st 2001
- First Prize: MP3 Player
- Top 25 Departments
 - September Award Luncheon in the Great Hall



Fixed Assets

- 🐉 **Fixed Assets**
- 🐉 **Non- GAAP Fixed Assets**
- 🐉 **GAAP Fixed Assets**
- 🐉 **Maintaining Assets Records**



The Commonwealth of Massachusetts

Office of the Comptroller

A good business partner

January 24, 2001



The Commonwealth of Massachusetts

A good business partner

The Commonwealth's Bill Payment Policy

is:

To pay its bills

in 30 days

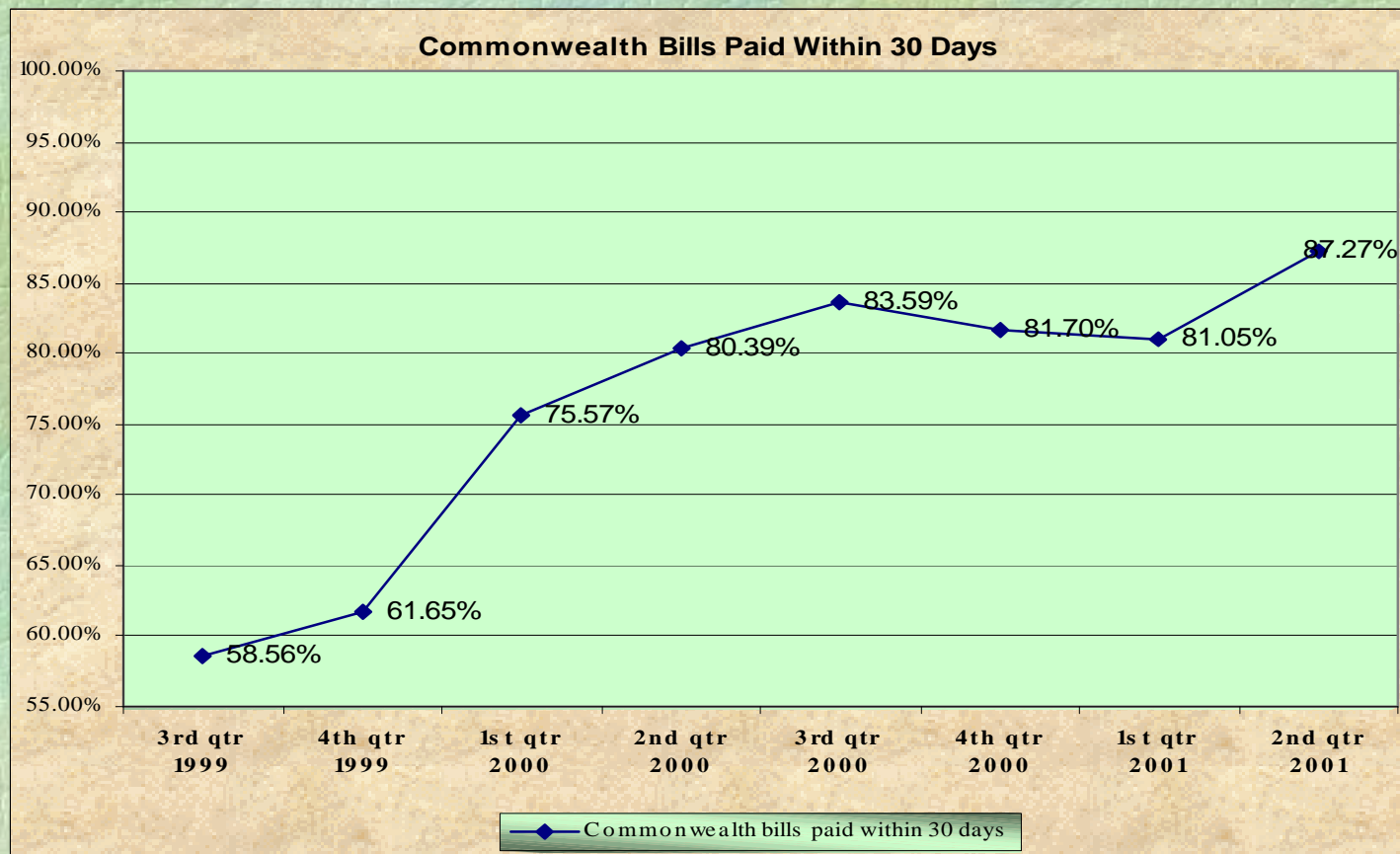
via

Electronic Funds Transfer.



The Commonwealth of Massachusetts

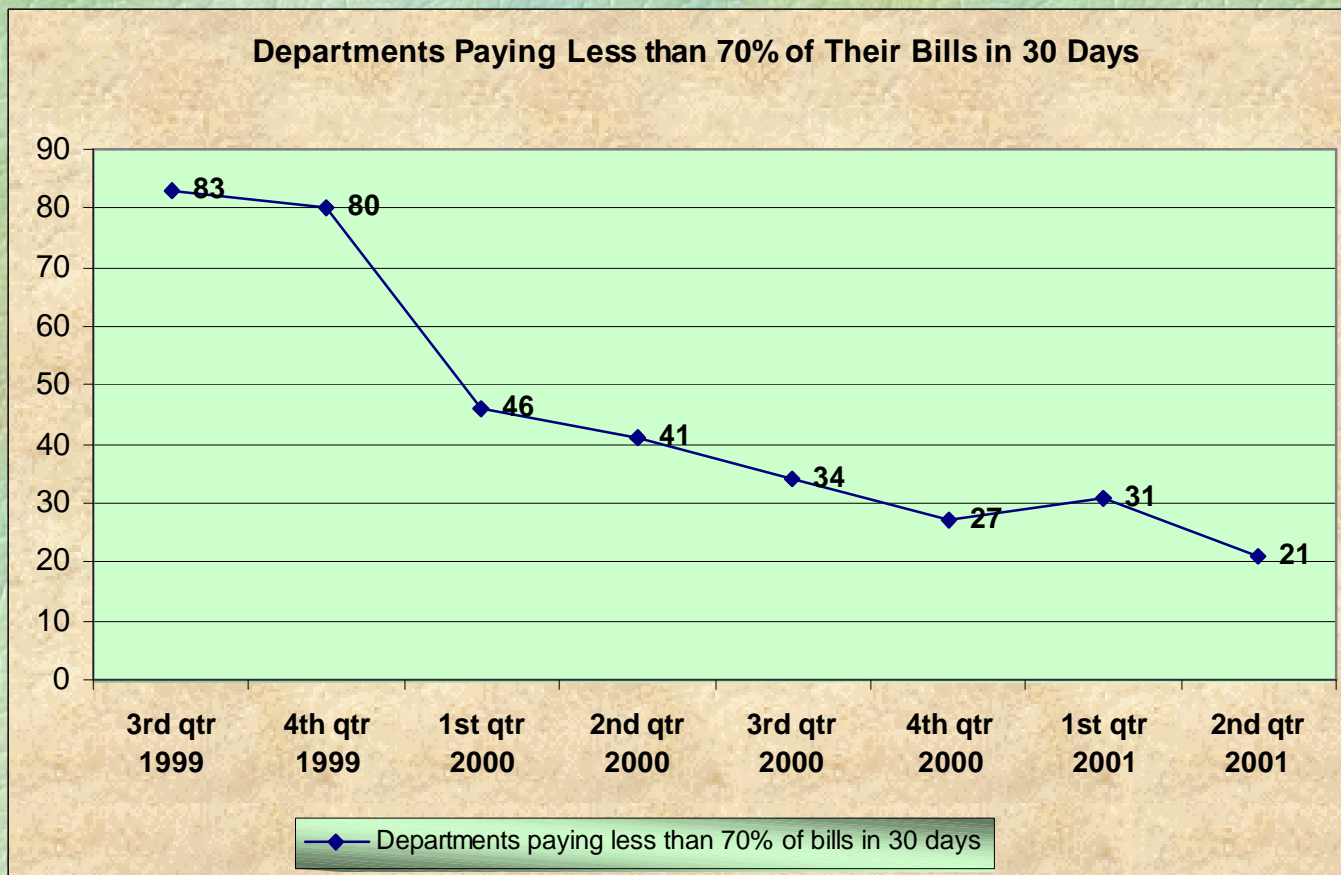
A good business partner





The Commonwealth of Massachusetts

A good business partner

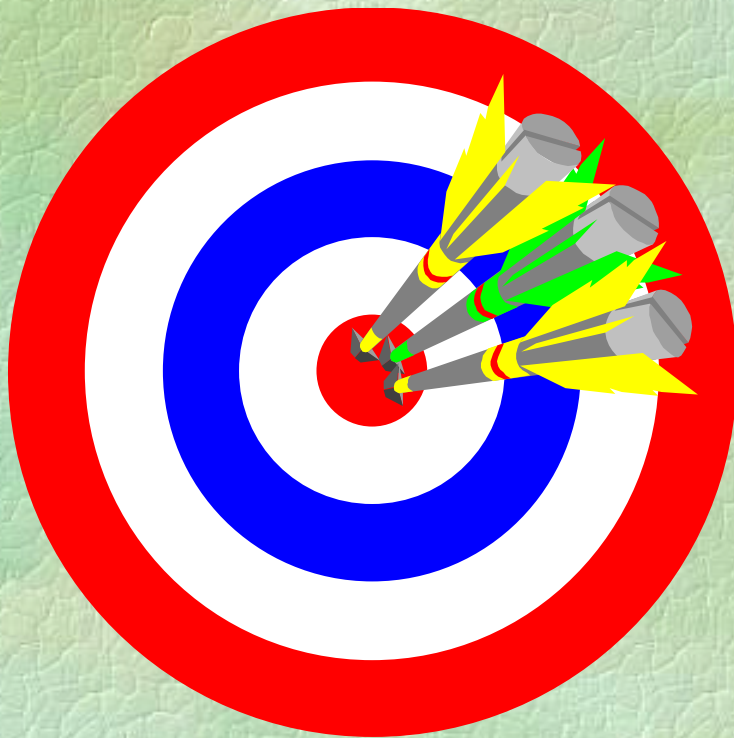




The Commonwealth of Massachusetts

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Certificates!!!



90% and above!



The Commonwealth of Massachusetts

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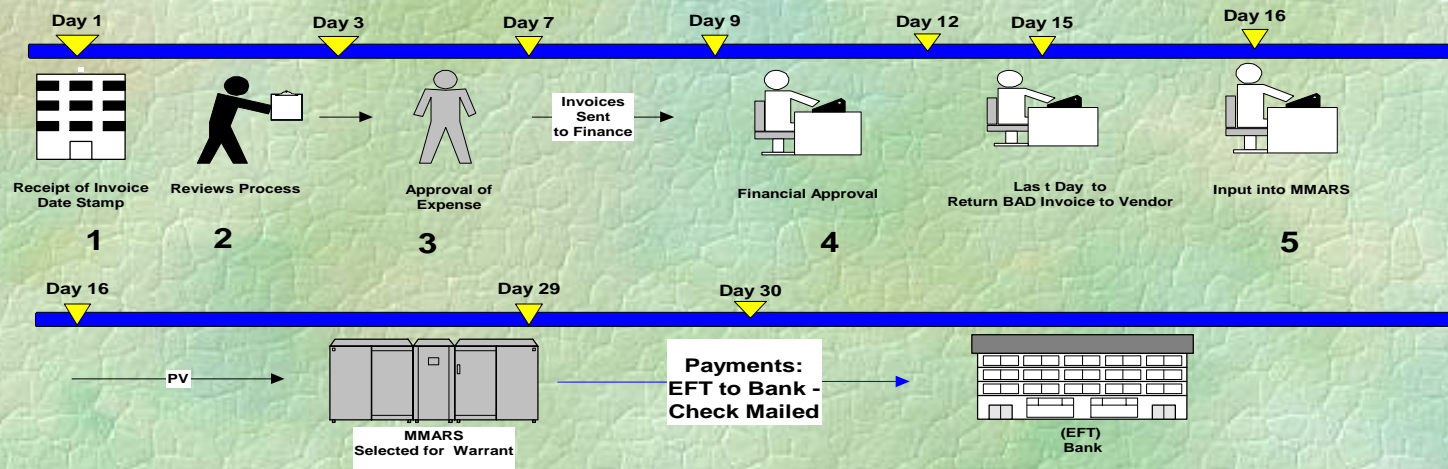
Generic Payment

Maximum 29 Days

Sample

Legend:

- Step 1 = Receipt of Invoice
- Step 2 = Review Process
- Step 3 = Approval of Expense
- Step 4 = Financial Approval
- Step 5 = Entry Into MMARS





The Commonwealth of Massachusetts

A good business partner

To Be a Good Partner

- a) Date Stamp all incoming business**
- b) Return documents you cannot process**
- c) Always use vendor's payment reference number**
- d) Process transactions timely so VendorWeb can assist you**



The Commonwealth of Massachusetts

A good business partner

**Reality Check... We're Proud of our Improvement
but... Will the statistics stand up to a review?**

What are we looking at during a payment review?

- a) Are Date Stamps applied / Are they used?**
- b) If invoices are clustered what date is used?**
- c) If payments are scheduled early why?**
- d) Are approvals on documents / are they valid?**
- e) Do the dates of service reflect information on the invoice?**
- f) If the invoice has been modified is there an audit trail?**



What keeps you
up at night?



Internal Controls



Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law.



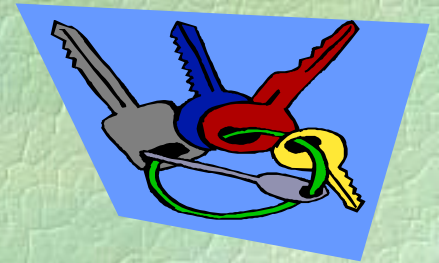
Components of Internal Control

Internal control process has five components:

- ◆Control environment
- ◆Risk assessment
- ◆Control activities
- ◆Information and communication
- ◆Monitoring



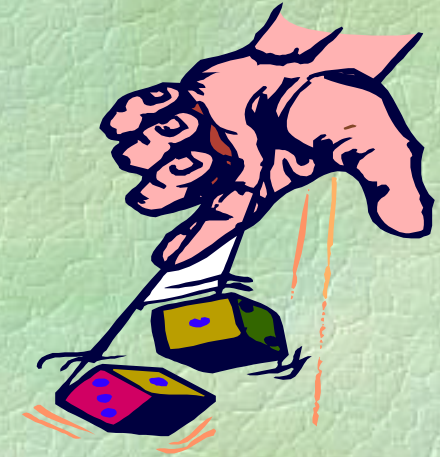
Five Key Questions



- ▶ What are you trying to accomplish?
- ▶ What risk could prevent you from doing that?
- ▶ What policies & procedures could you put in place to decrease this risk?
- ▶ Who else needs this information?
- ▶ How can you tell if these policies are working?



Assess Risk



Identify potential problems

- ➔ Areas that receive complaints or have had problems in the past.
- ➔ Areas that have undergone recent changes in staff or structure.
- ➔ Complex activities.
- ➔ Special areas like subrecipient monitoring.⁴¹



Assess Risk

- ✓ Determine severity of risks by asking both,
 - ➡ Where do we face the greatest possible harm?
 - ➡ Which types of losses are most likely to occur?



A moderate loss that is likely to occur presents as much danger as a more serious loss that is less likely to occur.

- ✓ Use this evaluation to prioritize your efforts.



Questions about Contracting

- ☞ How are contracts monitored?
- ☞ Who verifies the best value?
- ☞ How does new staff learn what to do?
- ☞ How does your department incorporate changes in contracting guidelines?



Questions about Payments

- Does staff date stamp all invoices?
- Who reviews invoices?
- How is the receipt of goods verified?
- Are year-end goods received by June 30th for proper payment from that fiscal year?



When department delegation

increases,

department risk

increases,

and the need for tighter internal controls

increases.



What can you do to reduce risk?

Evaluate policies and procedures for

- contracting

- bill payment

Coordinate with department's internal control plan

Document policies and procedures